

How large are the cuts in operating grants per student?

Gerald Burke

Monash University

Editor's note: This paper has been reproduced in this issue by permission of Professor Gerald Burke. It was originally published in the *Australian Universities' Review* vol. 31, no. 2, 1988. The paper was portentous; should you apologise for getting it right? As noted by Simon Marginson, governments learnt that they could get away with cutting university funding. It is clear that Gerald Burke is NOT like the alleged Marxist scholar, who was so far ahead of his times, that even 20 years after his death, some of his predictions had not been realised.

The 1988-89 Budget provides more detail on the Commonwealth's intentions for higher education as outlined in the Green and White Papers. This article focuses on one consequence of the Budget: the decline in operating grants per student in the period 1989 to 1991. Not all the data on expenditure and enrolments necessary for precise estimates are available in the budget papers and it is possible that the government will not proceed with some of its proposals such as the continuing transfer of funds to the Australian Research Council. Hence the estimates must be regarded as preliminary.

Total funding

Total resources available to institutions are projected to grow around 15 per cent by 1991, in part funded by the tertiary tax. (Estimates are in December 1987 prices.) There is an expansion of funds for capital purposes, continuing over the triennium. Capital grants estimated at \$79 million in 1988 are projected to grow

each year to reach \$177 million in 1991, and to provide for renovations and for 26,000 new places.

Institutions are now to receive a single Operating Grant in place of general recurrent equipment, minor works and special research grants. The total amount allocated to Operating Grants is to grow from \$2,514 million in 1988 to \$2,754 in 1991. This is an increase of around 9.5 per cent in three years. Enrolments are projected to grow about 40,000 or (approaching) 15 per cent over three years.

Grants per student

There is therefore an apparent decline in Operating Grant per student of about 5 per cent across the whole of higher education. Furthermore, institutions in higher education are to be only partially funded for the Four Per Cent Second Tier wage and salary increase in 1988. A rough estimate suggests that this will represent at least a 2 per cent cut in funds per student by 1991 if not before.

From the operating grant the government will establish a 1 Per Cent Reserve Fund which in the first instance will be used e.g. for early retirement or redundancy, management reviews or pilot programmes for a summer semester.

Hence the real value of the Operating Grants per student received by institutions for their regular program is projected to fall about 8 per cent in the period 1988 to 1991. As will be discussed below the decline will be greatest in the universities where the cuts could reach 10 per cent.

This reduction of 8 per cent follows the decline in funding per student of about 8 per cent in the period from 1976 to 1986 reported by CTEC in *Efficiency and Effectiveness* (p.57) in 1986 and the decline since then, especially that in 1988 due to above quota non funded enrolment.

Explanation

The Four Per Cent Second Tier Settlement and the 1 Per Cent Reserve Fund provide two reasons for the reduction in funds per student. The other main reasons are the transfer of funds to the Australian Research Council (ARC) and the less than full funding of the projected expansion in enrolments.

Funds are being deducted from operating grants - of universities not colleges - to be given to the Australian Research Council: \$5 million was deducted in 1988 and additional amounts of \$15 million, \$35 million and \$60 million are to be extracted over the next three years. This represents about 0.8 per cent rising to 2.3 per cent of total operating grants from 1989 to 1991 for higher education, but about 1.3 per cent rising to 4 per cent of university grants.

The Government has announced the end of the binary system. The diversion of funds to the ARC suggests that this is to be achieved in part by reducing university operating grants per student, estimated by Professor Michael Taylor at 18 per cent higher than in colleges, closer to the level of college funding. But much of the 18 per cent differential is devoted to the infrastructure for research as staffing ratios in universities are about the same as in colleges. One (intended) consequence is that the typical university academic is to be a 'scholar' and a teacher rather than

a 'researcher'. (The White Paper provides definitions of these.)

The less than full funding of the projected expansion of enrolments can be dissected:

- The Government announced that additional places are being funded at an average of \$8,000 each. This represents about 3 per cent less per student than the average 1988 level of funding.
- Growth in student numbers is estimated at 40,000. The funds provided for growth total \$240 million. This represents 30,000 students at \$8,000 per student, rather than 40,000. The other 10,000 students

must be pipeline growth from 1988 and earlier intakes. There are funds for pipeline growth, but only \$55 million. \$55 million would provide for 1,800 students if funded at the marginal rate used in 1988 of \$7,000 per student. It seems the other 2,000 or so are not funded directly at all, and appear to represent the unfunded above quota intakes in 1988 flowing into the 1989 to 1991 triennium.

In effect the additional 40,000 students are to be funded at \$7,400 each compared to around \$8,250 average per student in 1988.

Conclusion

There are many issues for further debate arising from the White Paper and the Budget that are not taken up in a brief review of the Operating Grants per student:

- The basis for the Government's assumptions about education and the economy.
- The Government's capacity for 'manpower' forecasting, e.g. should engineering places grow at 3 per cent per annum as suggested tentatively by Professor Williams in his recent review of the Engineering discipline or by 50 per cent by 1992 as suggested by Professor Aitken and others for computing and engineering in their report to ASTEC last year.
- The relative neglect of humanities, social sciences and education except e.g. for Asian Studies and the training of maths/science teachers.
- The assumptions about the policies promote productivity and creativity in teaching and research - the abolition of CTEC, the transfer of funds to the

This reduction of 8 per cent follows the decline in funding per student of about 8 per cent in the period from 1976 to 1986 reported by CTEC ... in 1986 and the decline since then, especially that in 1988 due to above quota non funded enrolment.

ARC, hierarchical management, the emphasis on hierarchical supervision, salary rewards and punishments.

- The assertions about equity and the tertiary tax (noting the failure to ease the family income test for AUSTUDY which formed part of the Wran package).

This paper has had a much more limited focus. It has provided estimates of the projected reduction from 1988 to 1991 in operating funds per student. The average decline for higher education appears to be about 8 per cent per student. The decline is estimated at nearly 10 per cent in universities and about 6 per cent in colleges, though the distinction may be less apparent as mergers occur. The effects of this sharp

reduction in funds per student, following the decline of the last decade, on the teaching and research capacity of higher education are a matter of considerable concern. It seems inevitable that staff student ratios will decline.

Gerald Burke is currently a Professorial Fellow and Executive Director of the Monash University-ACER Centre for the Economics of Education and Training. His recent work includes expenditure on schooling, TAFE and higher education, price measures in education and the financing of lifelong learning. He was also at Monash in 1988 when he wrote this article, demonstrating admirable staying power (or that he is a glutton for punishment).